



Department of Justice

FOR IMMEDIATE RELEASE
FRIDAY, JULY 28, 1995

AT
(202) 616-2771
TDD (202) 514-1888

**JUSTICE DEPARTMENT PRESERVES COMPETITION IN MAINFRAME COMPUTER
SOFTWARE MARKETS; REQUIRES COMPUTER ASSOCIATES TO MODIFY
PROPOSED ACQUISITION OF LEGENT**

WASHINGTON, D.C. -- The Antitrust Division of the Department of Justice took steps today to protect competition for "mission critical" mainframe computer software and development technology, used by firms of all sizes for their data processing needs, by requiring Computer Associates to alter its \$1.7 billion proposed acquisition of Legent Corporation. Computer Associates and Legent are the largest and second-largest independent vendors of systems management software products for IBM mainframe computers.

The Department said in its civil antitrust complaint that if Computer Associates' proposed acquisition of Legent was not halted, the users of mainframe computer software - which include large and small businesses in a range of industries, financial and insurance institutions, non-profit corporations, hospitals, and local governments - would face higher prices, less technical support, and lower quality. Also filed with the complaint was a proposed settlement.

The settlement has three key elements. First, it would

(MORE)

establish a new viable competitor in the markets for each of five computer systems management software products, so that customers will continue to have an alternative to Computer Associates. Second, it would give the Department the sole discretion to accept or reject proposed licensees, to ensure that they are viable and that effective competition is preserved. Finally, if suitable licensees cannot be found, it would permit the court to order Computer Associates to dispose of additional assets, including customer contracts and/or software assets, if necessary to establish a viable new competitor.

"Under this settlement, VSE mainframe systems management software customers will continue to have a real choice of vendors, and cutting-edge technology will be available to competitors so that future development can continue," explained Assistant Attorney General for Antitrust Anne K. Bingaman. "Thus the settlement will preserve vigorous competition in several significant mainframe computer software markets and ensure that consumers continue to reap the benefits of that competition."

The complaint, filed in the federal district court in the District of Columbia, alleges that the Computer Associates' acquisition of Legent would have had an anticompetitive effect in the markets for five relevant software products for use with the VSE operating system:

- security software, which prevents unauthorized access to the sensitive data and applications programs run on mainframes;

(MORE)

- tape management software, which controls the cataloguing, loading, formatting and reading of magnetic tapes used for storage of data;
- disk management software, which performs control functions for data storage on a mainframe computer's hard drive;
- job scheduling software, which automates the scheduling and running of multiple computer tasks; and
- automated operations software, which automates information and message handling functions of a computer's control console.

The proposed settlement requires Computer Associates to grant licenses for Legent's products in each of these five markets. It also forbids Computer Associates from taking any action to restrict competitors' access to an important technology in a sixth relevant market--the emerging market for cross-platform distributed systems management that had been previously been licensed by Legent from Peer Logic, Inc. Cross-platform products permits centralized management of various computer systems linked together through networks, and promises to be an increasingly crucial component of corporate and institutional computer operations as the technology is perfected and further adopted over the next few years.

Computer Associates is headquartered in Islandia, New York. Legent is headquartered in Herndon, Virginia.

#